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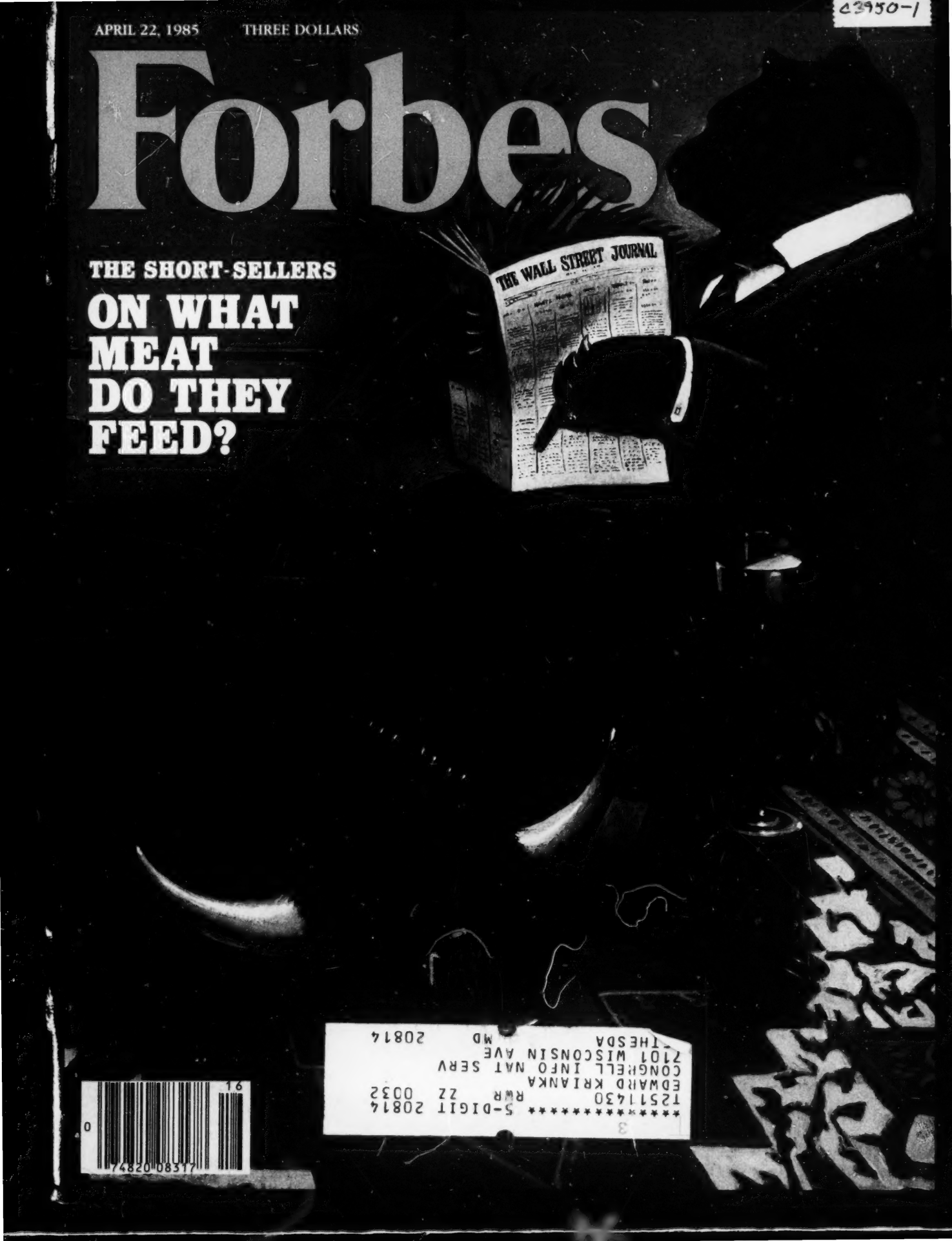
APRIL 22, 1985 THREE DOLLARS

Forbes

THE SHORT-SELLERS
ON WHAT MEAT DO THEY FEED?



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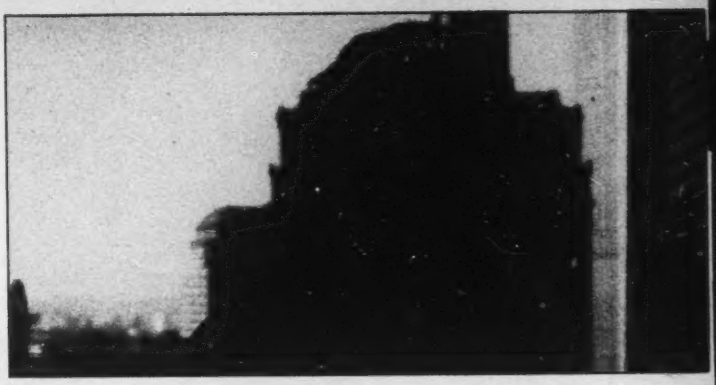

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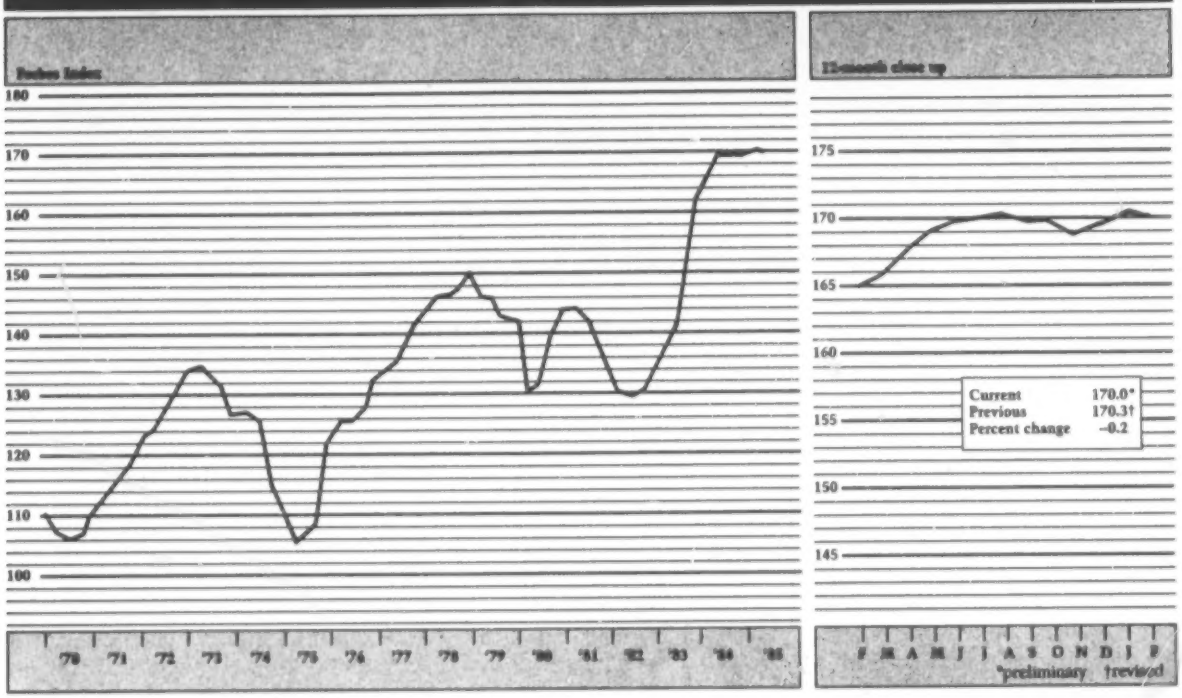
Cover illustration by Michael Garland

The Forbes Index



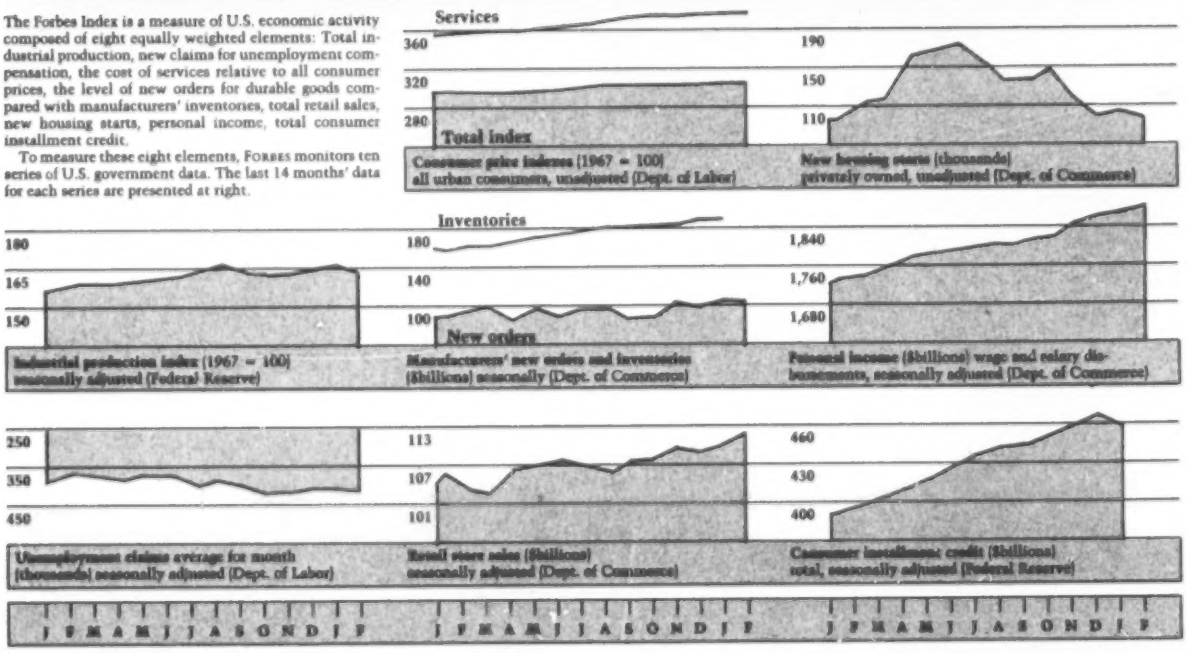
Below the peak. The Forbes Index, off 0.2%, backed off a bit from its previous alltime high. Despite some decline in mortgage rates, new housing starts fell 9.8% from the previous month and stand nearly 27% lower than they were during the same time last year. For the first time in more than two years there was a month-to-month decline in consumer installment credit. Industrial production slipped 0.5% from month-earlier figures, while manufacturers' new orders registered a 0.2% decline. The number of new unemployment claims, up 3.1% in the most recent month, hit their highest level since August 1983.

The news was not all bad, however. Retail sales are up 1.4% over the previous month and 6.3% from a year ago. Meanwhile, personal income rose 0.5%.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


Services
360
320
280
Total index
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
190
150
110
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
Inventories
180
140
100
New orders
Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)
180
165
150
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
1,840
1,760
1,680
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
250
350
450
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
113
107
101
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
460
430
400
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
J F M A M J J A S O N D J F
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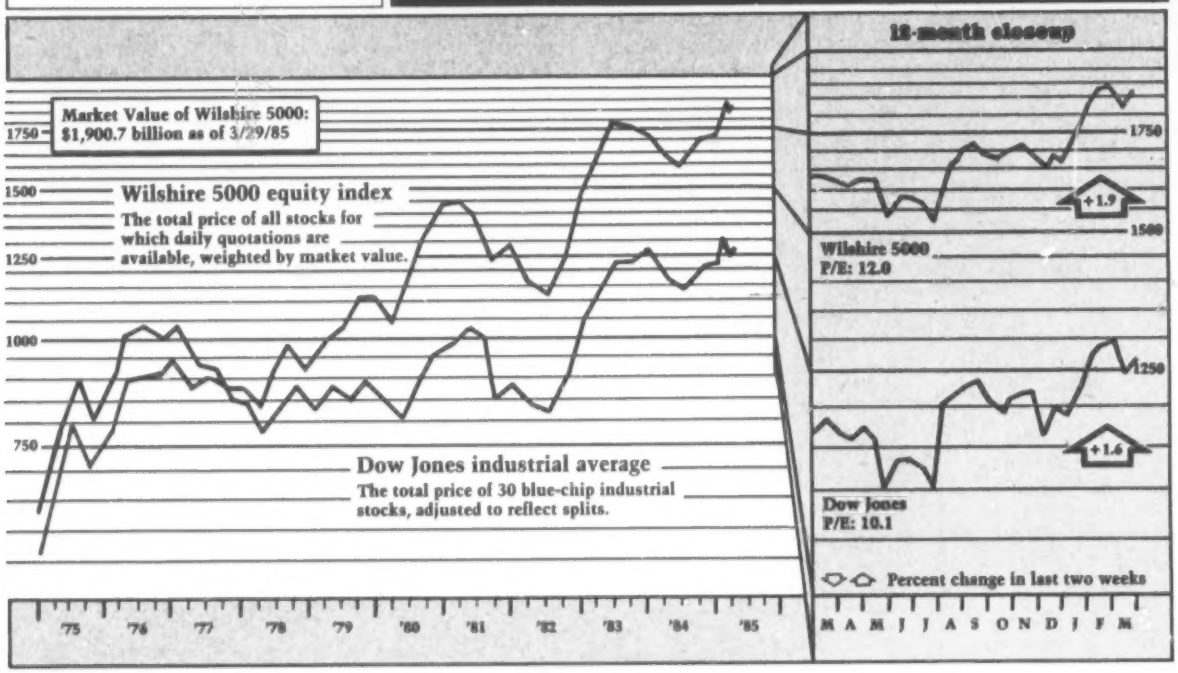
Edited by Steve Kichen

The Forbes/Wilshire 5000 Review


Market Value of Wilshire 5000: $1,900.7 billion as of 3/29/85
1750
1500
1250
1000
750
Wilshire 5000 equity index
The total price of all stocks for which daily quotations are available, weighted by matket value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
'75 '76 '77 '78 '79 '80 '81 '82 '83 '84 '85
12-month closeup
1750
1500
1250
+1.9
+1.6
Wilshire 5000 P/E: 12.0
Dow Jones P/E: 10.1
Percent change in last two weeks
M A M J J A S O N D J F M

Down, but not all that far. The Dow, with a 1.6% gain, ended the most recent two-week period at 1267, some 32 points below its closing high on Mar. 1. The Wilshire index—the sum value of actively traded stocks—was $1.86 trillion, which was up 1.9% over the two-week stretch but still $27 billion smaller than it was when the Dow hit its peak. All it would take is one 30-odd point rally—such as we have had several times since 1982—to bring prices back to record highs.

Over the last several weeks investors snapped up both blue-chip and medium-size companies while shying away from the more speculative situations. The Amex posted the best records for the two- and four-week periods, with respective gains of 2.8% and 0.5%. On the other hand, Nasdaq-listed issues scored the poorest over the same time periods. During the last four weeks high-volatility issues declined 4%, while low-volatility issues posted a 1.2% gain. Shares with P/E multiples over 25 were off 3.5%, vs. a 1.4% loss for so-called undervalued stocks with multiples under 5. And stocks with yields of 7.5% or better posted a 0.7% increase, while shares that don't pay a dividend declined 3%.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	–1.5	–1.1	–2.5	–1.4	0.5	–2.8
in last 52 weeks	13.8	15.3	8.7	14.1	8.6	11.3

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–0.8	–2.8	–4.0	1.2	–3.5	–1.4	0.7	–3.0	–2.2	1.1	0.1	–2.8
in last 52 weeks	10.1	7.2	8.2	23.9	0.5	23.7	22.0	12.3	9.2	25.0	22.5	–1.5

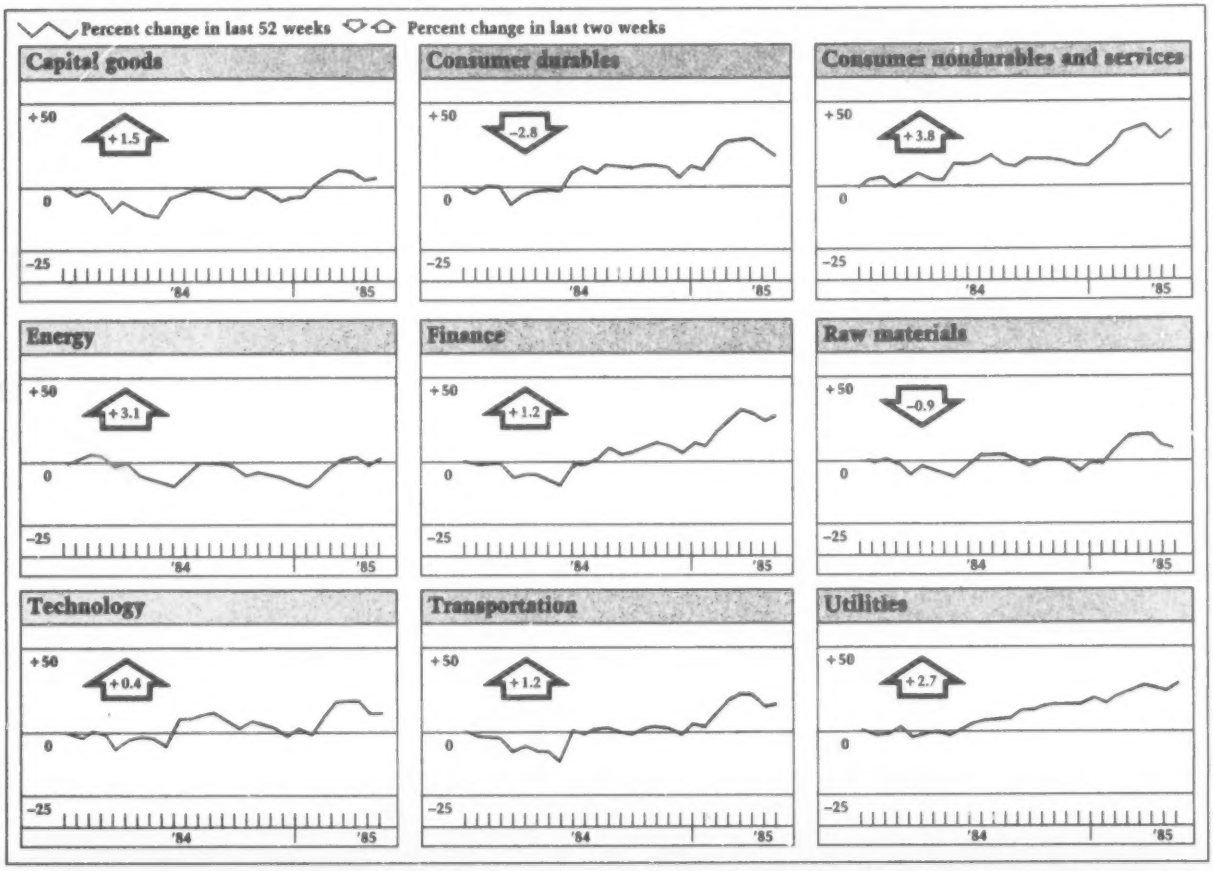
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 3/29/85. Prepared by Wilshire Associates, Santa Monica, Calif.

Kenneth Alcorn

Where The Action Is

Automobiles, TV stations and oil wells. The pending increase in Japanese auto exports made investors leery of automotive stocks. A drop of more than 4 points in General Motors during the last ten trading days cost investors over a billion dollars in paper losses and contributed to the 2.8% decline in consumer durables shares. The only other sector to lose ground during the last two weeks was raw materials, which lost 0.9%. But the blockbuster takeover of American Broadcasting by Capital Cities Communications, and speculation that other media firms were possible targets, enabled consumer nondurables to lead the other eight Wilshire sectors with a 3.8% rise. Meanwhile, looming acquisition battles in the oil patch helped energy shares gain 3.1%.



What The Analysts Think

A raw deal for raw materials. Precious-metals prices managed something of a comeback over the last few weeks and other commodity prices eked out more modest gains. But Wall Street analysts were not particularly impressed. The raw materials sector shows the sharpest 1985 estimate cutbacks during the past two- and four-week stretches.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.74	10.4
1985 estimates	4.38	8.9
1986 estimates	4.94	8.0

Rank based on change in estimate	Sector	Estimated 1985 EPS	Estimated 1985 P/E	% change in 1985 estimate in 2 weeks	% change in 1985 estimate in 4 weeks
1	Consumer durables	$4.87	8.2	0.05%	-2.06%
2	Finance	3.52	9.5	0.04	0.61
3	Utilities	3.61	7.4	-0.07	-0.01
4	Transportation	3.25	9.1	-0.53	-0.84
5	Consumer nondurables	2.70	11.2	-0.56	-0.84
6	Energy	3.73	8.0	-1.00	-1.94
7	Capital goods	2.96	11.3	-1.09	-2.47
8	Technology	3.03	11.8	-1.50	-2.76
9	Raw materials	2.47	10.1	-2.20	-5.83

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 3/29/85. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.